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April 14, 2015

The Honorable Orrin G. Hatch  
Chairman  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

Re: Preserving Cash Accounting for Law Firms and Other Personal Service Businesses and Concerns Over  
Burdensome Mandatory Accrual Accounting Proposals

Gentlemen:

On behalf of the Bar Association of Metropolitan St. Louis ("BAMSL"), which has over 5,900 members, I am writing in response to your invitation to stakeholders to express their views to the Committee's tax reform working groups on how to improve the nation's tax code. In particular, BAMSL supports preserving the traditional cash receipts and disbursements method of accounting for law firms and other personal service businesses. Thus we unequivocally oppose proposals—such as Section 51 of last year's Senate Finance Committee staff discussion draft bill to reform cost recovery and tax accounting rules—that would require all such entities with annual gross receipts over \$10 million to switch from the cash method of accounting to the more complex and costly accrual method.

We support the Committee's efforts to craft legislation aimed at simplifying the tax laws, but we are concerned that mandatory accrual accounting proposals like Section 51 would have the opposite effect and cause other negative unintended consequences. These far-reaching proposals would create unnecessary new complexity in the tax law by disallowing the use of the cash method; increase compliance costs and corresponding risk of manipulation; and cause substantial hardship to many lawyers, law firms, and other personal service businesses by requiring them to pay tax on income they have not yet received and may never receive. Therefore, we urge you and the Committee not to include these or similar proposals in the new tax reform legislation that would require personal service businesses to switch from the cash method of accounting to the accrual method.

Thank you for considering BAMSL's views on this important issue. If you have any questions regarding our position, please contact BAMSL's Executive Director Zoe Linza at (314) 421-4134.

Sincerely,

Joseph A. Frank  
President, The Bar Association of Metropolitan St. Louis

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